Closing the Medicaid Coverage Gap

BY JEANNE LAMBREW AND JEN MISHORY

Fifty-three years ago, the Medicaid program was begun with the mission of providing "medical assistance to individuals whose income and resources are insufficient to meet the costs of necessary medical services."[1] This mission makes it one of our country's noblest and most essential endeavors: ensuring that vulnerable Americans don't get left behind when they're ill or hurt, and that they have what they need to stay healthy. It's our nation promising our poor that they deserve to be well, too.

However, Medicaid eligibility as originally designed was limited. It offered coverage to certain categories of individuals, such as pregnant women or the lowest-income families with dependent children, but did not reach all of those who can't afford health insurance on their own. To fill that gap, the Affordable Care Act (ACA) required that states expand Medicaid to all low-income individuals earning under 138 percent of the federal poverty level; all those above that threshold could receive refundable tax credits to purchase private coverage.[2]

In 2012, the Supreme Court ruled in *National Federation of Independent Businesses v. Sebelius*, on spurious rationale, that requiring states to expand Medicaid was unconstitutional—but states could choose to expand if they wanted. Thirty-three states plus the District of Columbia have acted to implement the Medicaid expansion.[3]

The Medicaid expansion has proven effective: states that have expanded have seen greater reductions in the number of uninsured, improved access to care, and an increase in treatment for behavioral health problems like opioid addiction, not to mention improved health outcomes, lower out-of-pocket expenses, lower debt collection, and more money for small and/or rural hospitals. Furthermore, no significant increase in state Medicaid spending, nor a decrease in education, transportation, or other state spending, has resulted from the expansion.[4]

Despite this track record, those seventeen states persist in their refusal, despite unprecedented federal financial support for the expansion—support that allows states to pay, at most, 10 percent of total costs of this coverage, an amount that may be less than what states already pay for programs for the uninsured. More than 2 million uninsured adults currently have too much income to qualify for Medicaid in their states, but too little to qualify for tax credits for Health Insurance Marketplace plans' premiums. People in this coverage gap in states that have rejected Medicaid expansion receive less health care overall, are saddled with greater medical bill debt, and have worse health outcomes.[5]

While this fall's elections may result in more states expanding Medicaid, Congress could act as well. We have identified five options to close the Medicaid gap[6] while following the Supreme Court's guidance in the *NFIB* case. Congress could:

1. Increase the federal funding available for the Medicaid expansion, asking states to chip in a smaller share of the cost than the current expansion provides; to entice states

to expand, link the ability of states to access new programs' funding, such as a block grant for opioid addiction treatment, to Medicaid expansion.

2. Allow cities or counties to expand Medicaid.

3. Make Medicaid adult coverage an "all or nothing" matter for states, giving them a choice: cover all low-income adults, including those without children not now eligible, or none. Declining would shift those currently covered non-disabled, non-elderly adults into a federally run program partly funded by the state.

4. Pull federal hospital funding ("DSH" payments) away from states' control when they refuse to expand Medicaid and send it directly to those states' hospitals.

5. Outright penalize non-expansion states, but at a level below the original ACA requirements that were deemed "coercive" by the Court.

These proposals to fill the Medicaid gap would help alleviate arguably the most acute barrier to access to care left in our health system. They could supplement more comprehensive proposals—such as those that expand public plan options—that include all uninsured Americans but may lack tailored benefits or financial assistance for poor adults. Moreover, beyond Medicaid's efficacy, the program is popular: 74 percent of Americans have a favorable view of it.[7] Given the health disparities between residents in states that have and have not expanded Medicaid, these and similar proposals should be aggressively explored.

Notes

1 Jeanne Lambrew and Jen Mishory, "Closing the Medicaid Coverage Gap," The Century Foundation, July 31, 2018, https://tcf.org/content/report/closing-medicaid-coverage-gap/.
2 Ibid.
3 Ibid.
4 Ibid.
5 Ibid.
6 Ibid, footnote 38.
7 Ashley Kirzinger, Bryan Wu, and Mollyann Brodie, "Kaiser Health Tracking Poll—February 2018: Health Care and the 2018 Midterms, Attitudes Towards Proposed Changes to Medicaid," Kaiser Family Foundation, March 1, 2018, https://www.kff.org/health-reform/poll-finding/kaiser-health-tracking-poll-february-2018-health-care-2018-midterms-proposed-changes-to-medicaid/.